

Message Text

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60

ORIGIN EB-07

INFO OCT-01 ARA-10 ISO-00 COME-00 STR-04 H-02 SP-02 AID-05

NSC-05 CIEP-02 TRSE-00 SS-15 OMB-01 CEA-01 CIAE-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

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ARA/BR:RWZIMMERMANN

COMMERCE:DGARDNER

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H:JRMACKENZIE

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS STATE 089205

E.O. 11652: N/A

TAGS: ETRD, BR

SUBJECT: U.S. FIRMS COMPLAIN OF BRAZILIAN COMPETITION

1. CONGRESSMAN WILLIAM NICHOLS OF ALABAMA INVITED REPRESENTATIVES OF COMMERCE, STR AND STATE TO HIS OFFICE TO TALK WITH THREE U.S. MANUFACTURERS OF COTTON GINNING MACHINERY: C.M. MERKEL OF CONTINENTAL/MOSS-GORDIN, INC.; RAIFERD L. DREW OF LUMMUS INDUSTRIES, INC.; AND N.J. KEMP OF CONTINENTAL CONVEYOR AND EQUIPMENT. ALSO ATTENDING WERE CONGRESSMAN BRINKLY OF GEORGIA, CONGRESSMAN ROBERTS OF TEXAS AND CONGRESSMAN BEVILL OF ALABAMA.

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2. MANUFACTURERS MADE FOLLOWING POINTS. A FOURTH MANUFACTURER OF COTTON GINNING MACHINERY RECENTLY SOLD OUT AND WAS MOVED TO BRAZIL WHERE IT IS NOW OPERATING AS MARQUES PIRATININGA COTTON GINNING MACHINERY COMPANY.

TOTAL U.S. SALES OF THIS MACHINERY ARE ROUGHLY 40 MILLION DOLLARS AND ARE MORE OR LESS EQUALLY DIVIDED BETWEEN DOMESTIC SALES AND EXPORTS. BRAZILIAN FIRM IS NOW SHIPPING BETWEEN ONE AND TWO MILLION DOLLARS IN MACHINERY AND PARTS INTO U.S. AND MANUFACTURERS ARE CONCERNED THAT IN THREE OR FOUR YEARS BRAZILIAN FIRM WILL CAPTURE U.S. MARKET. BRAZILIAN FIRM IS ALSO COMPETING

HEAVILY WITH U.S. FIRMS IN THIRD MARKETS.

3. THERE IS NO U.S. DUTY ON THIS TYPE OF MACHINERY. AT THE SAME TIME BRAZIL REPORTEDLY MAINTAINS A 75 PERCENT DUTY ON THIS TYPE OF MACHINERY EVEN THOUGH COMPETITIVE ENOUGH TO EXPORT. (COMMERCE RESEARCH INDICATES BRAZILIAN DUTY ON THIS MACHINERY IS 45 PERCENT.)

4. STR REPRESENTATIVES SPELLED OUT ESCAPE CLAUSE AND ADJUSTMENT ASSISTANCE PROVISION OF THE TRADE ACT AND DREW ATTENTION TO THE OPPORTUNITY TO TESTIFY BEFORE THE INTERNATIONAL TRADE COMMISSION AND THE ADMINISTRATION HEARINGS (STATE 85639). MANUFACTURERS INDICATED THAT THEY WANTED U.S. TARIFF ON COTTON GINNING MACHINERY AND WOULD EXPLORE POSSIBILITIES UNDER ESCAPE CLAUSE PROVISIONS.

5. ABOVE IS FOR EMBASSY'S INFORMATION. HOWEVER, EMBASSY VERIFICATION OF BRAZILIAN DUTY ON COTTON GINNING MACHINERY AND ANY EMBASSY COMMENTS WOULD BE APPRECIATED. WE WILL INFORM EMBASSY OF ANY FURTHER DEVELOPMENTS HERE. KISSINGER

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